

STATE CONTROLLER'S OFFICE
PERSONNEL/PAYROLL SERVICES DIVISION
P. O. BOX 942850
Sacramento, CA 94250-5878

DATE: February 16, 2018

PAYROLL LETTER #18-002

TO: All Agencies/Campuses in the Uniform Payroll System

FROM: Marissa Revelino, Chief
Personnel/Payroll Services Division

RE: 2018 FEDERAL SUPPLEMENTAL WAGE WITHHOLDING TAX RATE CHANGE

The Tax Cuts and Jobs Act (TCJA), Public Law No. 115-97 lowered the tax rates for individuals. As a result, the optional flat withholding tax rate on supplemental wages up to \$1 million decreased from 25% to 22%. The new rate is applicable to supplemental wage payments made after December 31, 2017, until December 31, 2025. IRS Notice 1036, the updated tax withholding tables for the Tax Cuts and Jobs Act, instructs employers to implement the 2018 withholding tables as soon as possible, but no later than February 15, 2018. IRS Notice 2018-14 provides additional guidance on withholding rules that corrections are not required for over collections of federal income tax for supplemental wage withholding at the previous flat rate (25%) January 1, 2018 through February 14, 2018.

The new rate will be published in the next update of the Payroll Procedures Manual.

If you have any questions regarding this Payroll Letter, please contact Statewide Customer Contact Center at (916) 372-700 and select the Statewide W-2 Tax Support Program.

MR:JEB:EO:TSS:PPOB